

Message Text

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53

ORIGIN TRSE-00

INFO OCT-01 NEA-10 ISO-00 EB-11 L-03 H-03 AID-20 CIAE-00

COME-00 FRB-02 INR-10 NSAE-00 RSC-01 XMB-07 OPIC-12

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FM SECSTATE WASHDC

TO AMEMBASSY TEHRAN

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E.O. 11652: N/A

TAGS: EFIN

SUBJECT: INCOME TAX TREATY

GROWING INTEREST OF AMERICAN FIRMS IN IRANIAN INVESTMENT, WHICH GOI DOUBTLESS WELCOMES, HAS LED TO INQUIRIES FROM NATIONAL FOREIGN TRADE COUNCIL AND OTHERS AS TO POSSIBILITY OF INCOME TAX TREATY BETWEEN U.S. AND IRAN. EMBASSY REQUESTED TO APPROACH APPROPRIATE GOI AUTHORITIES IN MINISTRY OF FINANCE AND MINISTRY OF FOREIGN AFFAIRS TO ASCERTAIN WHETHER THEY WOULD BE AGREEABLE TO AN EXPLORATORY MEETING TO DETERMINE WHETHER THERE IS A BASIS FOR A TREATY.

IN DISCUSSING THE ISSUE WITH GOI, EMBASSY MAY FIND IT HELPFUL TO NOTE THAT FROM POINT OF VIEW OF U.S. BUSINESS, TREATY ESTABLISHES STABILITY IN TAX OBLIGATIONS AND PROVIDES ASSURANCE OF FAIR AND NON-DISCRIMINATORY TREATMENT IN HOST
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COUNTRY BOTH BY LAYING DOWN RULES AS TO WHEN INCOME FROM TRADE,

TECHNICAL SERVICES, ETC. IS SUBJECT TO TAX AND BY ESTABLISHING
A CHANNEL AND AUTHORITY FOR COMMUNICATION BY THE TAX AUTHORITIES OF
BOTH COUNTRIES.

FROM THE GOI POINT OF VIEW, TREATY WOULD ENHANCE YIELD ON
INVESTMENTS IN THE UNITED STATES BY REDUCING THE 30 PERCENT
STATUTORY WITHHOLDING TAX ON DIVIDENDS, INTEREST AND ROYALTIES.
MOST U.S. TREATIES REDUCE THIS RATE TO ZERO, 5 PERCENT OR 15
PERCENT, DEPENDING ON THE TYPE OF INCOME INVOLVED.

TREATIES ALSO PROMOTE CULTURAL EXCHANGES AND FACILITATE TEACHER
AND STUDENT EXCHANGES BY PROVIDING TAX EXEMPTION FOR LIMITED
PERIODS OF TIME.

WOULD APPRECIATE EMBASSY RESPONSE ASAP.
RUSH

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